

SUGAR BOWL

Audits of Financial Statements

June 30, 2007 and 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9-12-07

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Independent Auditor's Report

Executive Committee
Sugar Bowl

We have audited the accompanying statements of financial position of the Sugar Bowl (a nonprofit organization) as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sugar Bowl as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules on pages 11 - 13 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2007, on our consideration of the Sugar Bowl's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

A Professional Accounting Corporation

August 27, 2007

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SUGAR BOWL
Statements of Financial Position
June 30, 2007 and 2006

	2007	2006
Assets		
Cash and Cash Equivalents	\$ 902,150	\$ 644,243
Accounts Receivable	171,128	71,125
Interest Receivable	158,805	222,912
Prepaid Expenses	113,337	-
Investments	26,756,025	23,245,393
Property and Equipment, Net	271,723	55,703
Total	\$ 28,373,168	\$ 24,239,376
Liabilities and Unrestricted Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 120,807	\$ 28,173
Pledges Made	250,000	-
Deferred Ticket Revenue	558,523	92,438
Funds Designated for Hurricane Donations	-	182,033
Total	929,330	302,644
Unrestricted Net Assets		
Undesignated	27,443,838	23,736,732
Board Designated for Basketball Classic	-	200,000
Total	27,443,838	23,936,732
Total Assets and Liabilities	\$ 28,373,168	\$ 24,239,376

The accompanying notes are an integral part of these financial statements.

SUGAR BOWL
Statements of Activities
Years Ended June 30, 2007 and 2006

	2007	2006
Unrestricted Revenue, Gains and Other Support	\$ 14,636,355	\$ 10,321,373
Expenses		
Program Expenses	8,811,594	7,146,740
Support Expenses	2,317,655	2,140,378
Total	11,129,249	9,287,118
Change in Unrestricted Net Assets	3,507,106	1,034,255
Net Assets, Beginning of Year	23,936,732	22,902,477
Net Assets, End of Year	\$ 27,443,838	\$ 23,936,732

The accompanying notes are an integral part of these financial statements.

SUGAR BOWL
Statements of Cash Flows
Years Ended June 30, 2007 and 2006

	2007	2006
Cash Flows from Operating Activities		
Change in Unrestricted Net Assets	\$ 3,507,106	\$ 1,034,255
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	9,587	13,371
Unrealized Gain on Investments	(1,784,466)	(343,195)
(Increase) Decrease in Accounts Receivable	(100,003)	369,399
(Increase) Decrease in Prepaid Items	(113,337)	85,859
Decrease (Increase) in Interest Receivable	64,107	(89,548)
Increase (Decrease) in Accounts/Pledges Payable and Accrued Expenses	160,601	(37,454)
Increase (Decrease) in Deferred Revenue	466,085	(363,062)
Net Cash Provided by Operating Activities	2,209,680	669,625
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(225,607)	(15,891)
Loss on Destruction of Property and Equipment	-	32,077
Purchases of Investments	(19,879,069)	(18,219,653)
Proceeds from the Sale of Investments	18,152,903	17,777,029
Net Cash Used in Investing Activities	(1,951,773)	(426,438)
Net Increase in Cash and Cash Equivalents	257,907	243,187
Cash and Cash Equivalents, Beginning of Year	644,243	401,056
Cash and Cash Equivalents, End of Year	\$ 902,150	\$ 644,243

The accompanying notes are an integral part of these financial statements.

SUGAR BOWL
Years Ended June 30, 2007 and 2006

Notes to Financial Statements

Note 1. Nature of Activities

The Sugar Bowl (the Organization) is a not-for-profit organization established to seek out, promote, finance, sponsor, schedule, conduct, and operate a calendar of national and international amateur and collegiate sporting events annually in the city of New Orleans, Louisiana.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Advertising

Advertising costs are expensed as incurred and included as a program expense in sponsorship package expense. Advertising expense amounted to \$94,131 and \$137,686 for the years ended June 30, 2007 and 2006, respectively.

SUGAR BOWL
Years Ended June 30, 2007 and 2006

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Trade receivables are carried at original invoice amount, and are considered to be fully collectible. Accordingly, no allowance for doubtful accounts is recorded. Trade receivables are written off when deemed uncollectible. The use of this method does not result in a material difference from the allowance for doubtful accounts method. Recoveries of trade receivables previously written off are recorded when received.

Property and Equipment

Depreciation of property and equipment is provided over the estimated useful lives of the respective assets using the straight-line method.

Acquisitions of property and equipment in excess of \$500 are capitalized. Donated equipment is recorded at fair market value at the date of the donation. Purchased equipment is recorded at cost.

Deferred Ticket Revenue

Ticket sales made prior to the fiscal year to which they apply are not recognized as revenues until the year earned.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents include time deposits, and all highly liquid debt instruments with original maturities of three months or less.

Investments

Under SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains or losses are included in the change in net assets in the accompanying statements of activities.

Donated Goods and Services

Under SFAS No. 116, organizations are required to recognize as revenue and related expense services received if the Organization would typically need to purchase the services if not received as donations. No amounts have been reflected in the financial statements of the Organization for donated goods and services because there was either no objective basis available to measure their value or the value given was immaterial to the financial statements taken as a whole.

Income Tax Status

The Organization is qualified as a nonprofit organization and is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3).

SUGAR BOWL
Years Ended June 30, 2007 and 2006

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Net Assets

In accordance with SFAS No. 117, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Revenues are classified as temporarily or permanently restricted when they are received as donations with a donor stipulated restriction.

As of June 30, 2007 and 2006, the Organization's net assets are unrestricted.

Note 3. Property and Equipment

Major classifications of property and equipment at June 30th consist of the following:

	2007	2006
Leasehold Improvements	\$ 26,908	\$ 23,963
Furniture and Fixtures	36,966	36,966
Computer Equipment	85,394	15,587
Construction in Progress	<u>152,855</u>	<u>-</u>
	302,123	76,516
Less: Accumulated Depreciation and Amortization	<u>30,400</u>	<u>20,813</u>
Property and Equipment, Net	<u>\$ 271,723</u>	<u>\$ 55,703</u>

Depreciation and amortization expense for the years ended June 30, 2007 and 2006 totaled \$9,587 and \$13,371, respectively.

Note 4. Concentration of Credit Risk

The Organization maintains cash deposits with a financial institution in excess of federally insured limits.

SUGAR BOWL
Years Ended June 30, 2007 and 2006

Notes to Financial Statements

Note 5. Investments

The Organization's investments are comprised of the following as of June 30th:

	2007	2006
U.S. Government Securities	\$ 12,587,572	\$ 15,575,276
Equity Securities and Mutual Funds	14,047,830	7,588,769
Cash Held for Investment	120,623	81,348
Total	\$26,756,025	\$ 23,245,393

The following schedule summarizes the investment return for the years ended June 30th:

	2007	2006
Interest Income, Net of Investment Expenses	\$ 817,350	\$ 521,374
Realized and Unrealized Gains	1,813,967	417,432
Total	\$2,631,317	\$ 938,806

Note 6. Lease Commitments

In previous years, the Organization was committed to leasing the Louisiana Superdome (the Superdome) for its annual football game. The lease stipulated a minimum annual rental of \$40,000, plus an additional 5% of the gross football ticket sales in excess of \$700,000; however, the total rent would not exceed \$200,000. This lease expired June 30, 2005, and management was in the process of renegotiating the lease when Hurricane Katrina damaged the Superdome. As a result of the damage inflicted by Hurricane Katrina, the January 2, 2006 Sugar Bowl Classic could not and did not take place in the Superdome. As discussed in Note 11, the game was relocated to the Georgia Dome for the January 2, 2006 Classic. The Organization returned to the Superdome for its 2007 Classic. As such, the two parties have a verbal agreement to modify and extend the lease through the 2015 football season.

For the years ended June 30, 2007 and 2006, the Organization's rental expense for its annual football games totaled \$200,000 and \$102,000, respectively.

SUGAR BOWL

Years Ended June 30, 2007 and 2006

Notes to Financial Statements

Note 6. Lease Commitments (Continued)

In February 2007, the Organization extended its lease for office space in Metairie, Louisiana. The lease stipulates monthly rental payments of \$6,007, and it extends through August 2007. As discussed in Note 11, this lease temporarily replaces the Organization's leased office space in the Superdome that is currently being repaired. The office space in the Superdome has a lease term through 2014, although the provisions of this lease have been suspended pending the completion of the repairs. Management has indicated that this office space will be available for occupancy in September 2007, at which time they intend to relocate back to the office space in the Superdome. For the years ended June 30, 2007 and 2006, the Organization's rental expense for its office space totaled \$90,207 and \$85,957, respectively.

Note 7. Due to Superdome Economic Development Fund

During the year ended June 30, 2006, the Organization received forgiveness of its \$200,000 liability to the Economic Development Fund Grant. These funds had been granted as Initial Seed Money for funding the Sugar Bowl Basketball Classic. As a result, this amount has been recognized as basketball revenue for the year ended June 30, 2006.

Note 8. Commitments and Contingencies

The Organization has employment agreements with its Executive Director and Associate Executive Director which extend through June 30, 2010. The aggregate commitment under these agreements is \$550,000 for 2007, with annual increases of 4% through 2010.

Associated with the employment contracts is an obligation to contribute 15% of the above-mentioned compensation to a Simplified Employee Pension Plan.

Under its contract with the Bowl Championship Series (BCS), the Organization is committed to paying \$6,000,000 *per game* as follows: two games in January 2008, one game in January 2009, and one game in January 2010.

The Organization has entered into a contract with Construction South to renovate office space at the Superdome for \$746,400. Payments are made on a percentage completion basis. As of June 30, 2007, \$74,891 had been paid on the contract.

During the year ended June 30, 2007, the Organization donated \$400,000 to City Park. The purpose of the donation was to help restore and maintain City Park's athletic facilities that are located in New Orleans, Louisiana. In addition, the Organization's Board of Directors approved additional funding of \$400,000 that would be granted upon the satisfaction of certain progress benchmarks. The agreement of additional funding between the Organization and City Park has not been finalized.

SUGAR BOWL**Years Ended June 30, 2007 and 2006****Notes to Financial Statements**

Note 9. Simplified Employee Pension Plan

The Organization is committed to a simplified employee pension plan for all full-time, non-contractual employees of the Organization with a minimum of one year of service. The annual contribution shall be equal to 15% of each eligible employee's annual wages. The contributions for the years ended June 30, 2007 and 2006, were \$42,270 and \$31,575, respectively.

Note 10. Related Party Transactions

Members of the Organization are involved with companies supplying goods and services to the Organization. In such instances where "related parties" conduct business with the Organization, due care is taken to assure that the services and/or goods are purchased at normal competitive rates. The total dollar amounts of the transactions are immaterial to the financial statements taken as a whole.

Note 11. Hurricane Katrina

On August 29, 2005, Hurricane Katrina hit the Gulf Coast and caused widespread destruction. One impact on the Organization was the change of venue for the January 2, 2006 Sugar Bowl Classic from the Louisiana Superdome to the Georgia Dome located in Atlanta, Georgia. As a result, the Organization set up temporary offices in Atlanta from October 2005 to February 2006. In February 2006, the Organization returned to Louisiana and entered into a lease agreement for office space in Metairie, Louisiana. Net hurricane insurance proceeds in the amount of \$442,092 were received during the year ended June 30, 2007.

Schedule I

SUGAR BOWL**Unrestricted Revenue, Gains and Other Support****Years Ended June 30, 2007 and 2006**

	2007	2006
Ticket Sales - Football	\$ 8,812,370	\$ 7,216,575
Investment Return	2,631,317	938,806
State of Louisiana - Cooperative Endeavor	1,053,539	-
Secondary Sponsorships	1,037,998	762,492
Hurricane Insurance Proceeds, Net	442,092	-
Licensing	337,710	474,385
Hotel/Motel Revenue	138,764	21,000
Program Revenue	125,250	69,570
Heritage Festival	41,300	-
Miscellaneous	13,310	3,067
Road Race	2,685	700
Video Sales, Net of Expense	20	38
Commercial Air Time	-	634,740
Basketball	-	200,000
Total Unrestricted Revenue, Gains and Other Support	\$ 14,636,355	\$ 10,321,373

See independent auditor's report.

Schedule II

SUGAR BOWL**Program Expenses****Years Ended June 30, 2007 and 2006**

	2007	2006
BCS Payout	\$ 6,000,000	\$ 4,400,000
Stadium Expense	534,872	321,773
Special Appropriations	455,782	-
Entertainment	348,487	494,177
Football Committee Expense	272,231	202,286
Awards and Trophies	197,395	187,305
Media Relations	176,277	173,673
Sponsorship Packages	118,308	148,678
Decorations	118,004	85,277
Sponsor Trades	108,669	97,038
Ticket Committee	89,357	21,147
Insurance Expense	89,655	96,883
Allstate Liaison	58,995	37,457
Football Team Packages	45,212	60,735
Satellite Sponsorship - Volleyball	43,422	23,985
Game Day Program	31,070	48,575
City Relations	20,367	29,939
Goods for Resale	19,680	13,096
Satellite Sponsorship - LHSAA Track and Field	18,340	13,710
NFF/College Hall of Fame	14,037	-
Pageant	13,096	15,727
Satellite Sponsorship - Lacrosse	12,000	-
Regatta	11,684	2,947
Manning Quarterback Award	8,611	1,191
Television/Radio Expense	2,867	2,373
Satellite Sponsorship - LHSAA Prep Football Classic	1,983	85,000
Automobile Expense	1,059	5,673
Satellite Sponsorship - LSA Soccer	95	-
Satellite Sponsorship - LHSAA Baseball	39	13,822
Georgia State Sales Taxes	-	544,107
Satellite Sponsorship - LHSAA Soccer	-	15,088
Satellite Sponsorship - LHSAA Swimming	-	5,078
Total	\$ 8,811,594	\$ 7,146,740

See independent auditor's report.

Schedule III

SUGAR BOWL
Support Expenses
Years Ended June 30, 2007 and 2006

	2007	2006
General and Administrative Expenses	\$ 2,205,872	\$ 1,657,721
Special Appropriations	67,000	80,000
Insurance Expense	35,196	72,392
Depreciation Expense	9,587	13,371
Hurricane Expenses, Net	-	284,817
Loss on Destruction of Property and Equipment	-	32,077
Total	\$ 2,317,655	\$ 2,140,378

See independent auditor's report.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Executive Committee
Sugar Bowl

We have audited the financial statements of the Sugar Bowl as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated August 27, 2007. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Sugar Bowl's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Sugar Bowl's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sugar Bowl's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. This report is intended for the information of the audit committee, management, others within the Organization and the State of Louisiana, Department of Economic Development and is not intended to be, and should not be, used by anyone other than these specified parties.



A Professional Accounting Corporation

Metairie, Louisiana
August 27, 2007